United States
Department of
Agriculture

Office of
Information

Selected Speeches and News Releases

April 13 - April 20, 1989

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Statement

U.S. Department of Agriculture • Office of Information

Prepared for delivery by Secretary of Agriculture, Clayton Yeutter, before the Senate Committe on Agriculture, Nutrition, and Forestry, April 19.

Mr. Chairman and Members of the Committee, I am pleased to appear here today to discuss the 1990 Farm Bill.

As we begin work on the next farm bill, let us put the existing Food Security Act of 1985 into context. The 1985 Act was developed in response to the large surpluses and uncompetitive prices that afflicted U.S. agriculture in the early 1980's. Weak global economic growth and an inordinately strong dollar had damaged farm exports. High loan rates encouraged farmers to produce for the government rather than for the marketplace. We guaranteed our competitors a profitable price floor and, predictably, they increased production and exports. In contrast, we reacted by idling ever more acreage and building stocks. As a result our exports plummeted, as did our market share.

The 1985 Farm Bill wisely reduced loan rates and tied them to market prices. We thereby signaled to our competitors that the United States would no longer underwrite their production expansion. Putting it another way, we evidenced our determination to regain our international competitiveness and recapture market share.

To further boost exports, the 1985 Act authorized and encouraged export promotion and credit programs. Domestic and foreign buyers were given increased access to U.S. supplies through the use of commodity certificates. Large quantities of Commodity Credit Corporation (CCC)-owned and producer-held stocks would have remained isolated from the market under previous legislation. Authority for annual acreage reduction programs was included to help restore balance between supply and demand, but taking land out of production was not the primary focus of the 1985 legislation.

The cost of farm programs was an issue, for that cost had been climbing inexorably as you worked on the 1985 bill. In fact farm program outlays were the fastest growing component of the Federal budget. You chose a course of action that was expected to reduce costs in

the long run by expanding exports, reducing stocks, and gradually lowering target prices.

The 1985 bill worked remarkably well. Our agricultural exports bottomed out at $26 billion and 110 million tons in 1986. This year we expect to export 145 million tons of agricultural products worth about $38 billion. That is a substantial turnaround. The 1985 Farm Bill cannot take credit for all of the improvement by any means; changes in macroeconomic policy were unquestionably an important factor. But the 1985 Act can take credit for much of the improvement, and without it, the macroeconomic factors would have had a much smaller impact.

Stock levels are down dramatically as well; our grain and soybean surpluses have disappeared. The drought helped, of course, but so did the 1985 legislation.

Cash farm income is up too. In 1988 it reached $58 billion, an all time high. While government payments were instrumental in this income growth, they have now become a smaller portion of cash farm income.

All of this has given a big boost to the net worth statements of farmers, and that has made it possible for them and their creditors to sleep better at night. Total farm debt has declined to about $140 billion, as compared to $193 billion in 1983. Land values bottomed out in 1986, increased by 3 percent in 1987, and increased by another 5 percent or more in 1988.

This adjustment was not without cost, however. The increase in Federal outlays was not arrested until FY 1987, after reaching a record $25.8 billion in FY 1986. FY 1988 outlays were a more respectable $12.5 billion, though that is still several times the levels experienced a decade or so ago. FY 1989 outlays are projected at $13.8 billion, but $4.5 billion of that is disaster assistance related to the 1988 drought. Our budget analysts foresee outlays slowly declining, but remaining significantly above the long-term average level. We must ask ourselves whether annual outlays for price and income supports at levels significantly above the long-term average are defensible to the American taxpayer. My hunch is that such levels are unsustainable, and I believe we should begin now to look for a better way to ensure the economic well being of American agriculture.

That better way is to work on the problem internationally, and we are already doing that in the Uruguay Round of multilateral trade negotiations. We now spend a lot of money to counter, directly or indirectly, the farm policies of competitor nations. If we can convince

them to change their policies over time, we can afford also to change ours. Production decisions would then be based much more on market conditions than they are today, and much less on the whims of government. That would be a highly desirable change, and one that would be particularly welcome by taxpayers, including farmers.

In some nations, consumers now bear much of the cost burden of distortive farm programs, and if that can be changed they too will save money, and the overall demand for food will rise. Changes of this nature should clearly enhance our export prospects, providing we take steps to make sure that we are internationally competitive.

Recently I have heard comments from Capitol Hill to the effect that "We are going to write the 1990 Farm Bill in Washington, D.C., not Geneva!" I would not argue with that, for it is the prerogative of the Congress to legislate. But it would be foolish to attempt to legislate oblivious to what is happening in Geneva and elsewhere in the world. We operate today in a global marketplace, and it will forever be thus—unless we go back to the stone age! It is our privilege to be xenophobic, of course, but we'll shoot ourselves in the foot if we do so.

When I became U.S. Trade Representative almost four years ago, members of the U.S. agricultural community and their representatives here in Congress pleaded that I make a strong push to get agriculture on the GATT agenda. They correctly argued that agriculture had been ignored during the 40 year history of the GATT, and they expressed the hope that I, as an agriculturalist, could do something about it. I promised to try and, fortunately, we were able to get agriculture not only on the agenda of the Uruguay Round, but as one of this country's foremost priorities.

We've had some stirring debates at the negotiating table, but as a result of meetings in Geneva two weeks ago the 96 participating nations are now postured to proceed vigorously in all 15 negotiating groups. We have the best chance ever to obtain major agricultural trade reforms on a worldwide basis, and we ought to give it our best shot. If we have any confidence in our agricultural productivity—and I do—this exercise should be our highest priority over the next 20 months.

I provide this as background, for it is important that we legislate carefully and skillfully. We should enact a farm bill that serves the fundamental needs of American agriculture as delineated in the 1985 Farm Bill, while also hopefully enhancing our leverage at the negotiating table. (The latter was not contemplated in the 1985 legislation, of course,

because the Uruguay Round did not begin until late 1986.)

If the Uruguay Round is successful we will need to modify the 1990 Farm Bill accordingly—probably sometime during 1991. Will we then be writing the 1991 farm bill in Geneva? To some degree perhaps, but only if we believe it is in the best interest of American agriculture to do so. After clamoring to have agriculture on the agenda, this is certainly no time to turn tail and run! Were we to do that we'd be relegating ourselves to costly economic warfare with our export competitors forever. And the American taxpayer may not be in the mood to support gigantic farm subsidies indefinitely.

If the Geneva negotiations are successful we'll be writing a segment of the European Community's 1991 farm bill in Geneva, rather than in Brussels. That is obviously one of our objectives. We'll also be writing a major segment of the farm bills of Canada, Brazil, Argentina, Australia, and several other countries in Geneva, and we want to do that too. If we wish to have an impact on those farm bills, it would be unrealistic to expect the negotiations to have no effect on our own legislation. What we seek is a balanced outcome that will be beneficial to all.

Permit me now to be somewhat more specific with respect to the forthcoming legislation. One of our objectives next year should be to reduce the rigidity of our present programs. Farmers want and deserve more flexibility in what they plant, in the operation of their acreage reduction programs, etc. If properly designed, that additional flexibility should result in increased economic efficiency and long term benefits to them and to our society.

We should also reconsider target price relationships. Those relationships presently tilt toward the production of certain crops, and against the production of others. There is no evident economic rationale for this, and the distortions have hurt us in some international markets—soybeans, for example. We in the Administration will focus on this issue in the coming weeks, and we'll have recommendations for you later in the year.

The farmer-owned reserve and CCC-stocks have helped to moderate the effects of production variability here and abroad. But too often farmers have produced for government-financed storage rather than for markets. It has been easy to accumulate stocks under government programs; it has been difficult to release them.

Stocks are needed to cushion unanticipated production shortfalls. However, we need to reexamine our reserve and CCC inventory policies

to determine how large stocks should be, how they should be financed, and how their release to the market can be encouraged when supplies tighten.

The potential cost of these programs will be an important element of your deliberations and mine over the coming months. We must find ways of saving money without unilaterally disarming in the international marketplace. Some have suggested that we do so by raising loan rates, but that would be penny-wise and pound foolish. Our competitors would be ecstatic if we were to make that mistake again! The thrust of the 1985 Farm Bill was to regain market share. We've worked hard at that, and we've had considerable success. It would be tragic to throw away all that progress by setting loan rates at levels that will stimulate competitive production all over the world.

For those same reasons we should look askance at saving money through large annual acreage reduction programs. Our competitors love seeing those acres out of production! Acreage reductions clearly work to their advantage; one must seriously question whether they work to ours.

We do need to evaluate the "safety net" element of our present programs. Are we providing a safety net where it really isn't necessary? If so, how can we remove it in those situations? Is there a feasible way to pinpoint income supports with greater precision than in the past. These questions have been raised in recent years, but have not yet been answered satisfactorily. We ought to try again in the coming months.

And we certainly ought to avoid the chaos and additional cost of supplementing crop insurance with emergency disaster programs. If we bail out disasters every year with special legislation, we'll never be able to make crop insurance work. If crop insurance has shortcomings (and I believe it does), let's try to fix them—in the 1990 Farm Bill or through separate legislation.

An eternal complaint from farmers is that price and income support programs have become too complicated and administratively burdensome. They're right! I suspect that is partially attributable to the legislation, and partially to the way it has been administered. It is my responsibility to control the latter, and I intend to do so. You can make a contribution to the former, and I hope you will in the 1990 legislation.

Aside from income support programs, the 1990 Farm Bill must devote considerable attention to environmental issues. This Committee can deservedly take pride in the conservation provisions of the 1985 act. The Conservation Reserve has already taken more than 28 million acres of

highly erodible land out of production, and that is a major achievement. We estimate that this program alone is reducing soil losses by 300 million tons per year compared to the early 1980s, and we'll be able to do more as we move toward a goal of 40 million acres in the program. The Conservation Reserve is, however, costly and with our current tight supplies we need to investigate ways to achieve similar conservation goals with other tools as well.

Requiring on-the-farm conservation plans as a condition to participation in income support programs was a major advancement too, and it will pay important conservation dividends in the future, as will the Sodbuster and Swampbuster provisions.

However useful these new conservation tools may be, we must recognize that so long as we link income supports to price supports we'll continue to provide a tremendous stimulus for farmers to produce. Generating huge surpluses not only costs taxpayers large sums of money, but it may have adverse environmental consequences as well—in levels of soil erosion and in ground water quality, for example. If we are to have an environmentally sustainable agricultural production system over the long pull, we must find ways to diminish gradually the nexus between income supports and production levels.

I will expect the Department of Agriculture to be sensitive to environmental and other intergenerational concerns during my tenure, and to balance those interests carefully and sensibly. We'll do that with or without a legislative mandate because it is the right thing to do.

Finally, it is obvious that we will all have to devote more attention to food safety in the months ahead. You and I know that we have the world's safest food supply, but we must communicate that to the American public, and we must be credible. That should be done through information and education, not via the scare tactics that have permeated the media in recent weeks. Educational efforts are not always glamorous, but they are the heart of a democratic society. We'll assess whether any additional legislative authority would be useful in meeting this challenge.

I look forward to working with the Committee in the development of 1990 farm legislation. It would be advantageous for everyone to have this bill passed as early as possible—even this year if we could.

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News Releases

U.S. Department of Agriculture • Office of Information

USDA REVISES COUNTRY, COMMODITY PUBLIC LAW 480 ALLOCATIONS FOR FISCAL 1989

WASHINGTON, April 13—The U.S. Department of Agriculture today issued revised country and commodity allocations for fiscal 1989 under Titles I/III of Public Law 480, the Food for Peace Program.

Acting Under Secretary of Agriculture William Bailey said current program plans provide for distribution of $805.3 million in commodity shipments, changed from $807 million the previous quarter. Of the current amount, $718.0 million is presently allocated and $87.3 million is being held in a reserve to furnish commodities for unforeseen needs during the remainder of the fiscal year. Ten million dollars of Sudan's original $40 million Title I allocation were transfered to Title II allocations to meet urgent humanitarian food needs in that country.

Bailey also said there has been an increase in the allocation for Sri Lanka and that Uganda has been identified for an allocation. In addition, some minor revisions have been made to the commodity composition of the table.

The revised allocations meet the legal requirement of Section III of P.L. 480, which directs that not less than 75 percent of the food commodities be allocated to friendly countries that meet the per capita income criterion for lending by the International Development Association. Currently the countries in this category are those with an annual per capita gross national product of $940 or less.

Bailey said the program takes into account many variables: commodity and budget availabilities; changing economic and foreign policy situations, including human rights assessments; potential for market development; fluctuations in commodity prices; availability of handling, storage and distribution facilities; and possible disincentives to local production.

Except for agreements already signed, these allocations do not represent final U.S. commitments or agreements with participating governments. Situations still may develop which could cause a further change in country and commodity allocations, Bailey said.

Title I of P.L. 480 is a concessional sales program designed to promote exports of agricultural commodities from the United States and to foster economic development in recipient countries. The program provides export credit for up to 40 years, with a grace period of up to 10 years and low interest rates.

Title III provides for the forgiveness of the debt incurred under Title I, based on accomplishments in food for development programs and projects agreed upon by the United States and recipient countries.

Additional technical information on the P.L. 480 program is available from Mary Chambliss of USDA's Foreign Agricultural Service, telephone (202) 447-3573.

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USDA PROPOSES TO RESTRICT IMPORTED EGGS INFECTED WITH SALMONELLA ENTERITIDIS

WASHINGTON, April 13—The U.S. Department of Agriculture is proposing to place restrictions on the importation of eggs from all countries where Salmonella enteritidis, known as phage-type 4, exists in poultry.

"The bacterium phage-type 4, which has not been detected in poultry flocks in the United States or Canada, has recently been identified as the cause of numerous outbreaks of salmonellosis in poultry in some areas of Europe, including the Balkan countries and the Iberian Peninsula," said Larry B. Slagle, acting administrator for USDA's Animal and Plant Health Inspection Service.

"It has become the major source of salmonellosis in humans in England and Wales. It is known to be spread by poultry and poultry products, including eggs," he said.

"Because SE phage-type 4 is a serious threat to U.S. poultry, we are amending the regulations to restrict the importation of table eggs, and eggs used for breaking and pasteurization, or research and education, from any country where the bacterium exists," said Slagle. "The restrictions will take effect immediately."

According to Slagle, SE phage-type 4 is an acute disease of poultry characterized by the rapid onset of illness. If flocks become infected with the organism, mortality rates can be as high as 20 percent in poultry up to four weeks old. Once introduced, the infection can spread throughout a

flock and be passed on by hens through their eggs from one generation to the next and by egg-shell penetration.

Slagle said that eggs may only be imported if they meet certain conditions and if they are accompanied by a certificate which identifies the flock and country of origin, the ports of embarkation and arrival, and the name and address of the exporter and importer.

The certificate ensures that the eggs originated from flocks that tested free of salmonellosis and other communicable diseases, and that the eggs were washed, sanitized, packed in previously unused cases and sealed. Requiring the cases to be sealed on the premises of origin ensures that the eggs will not be contaminated during movement to the U.S.

APHIS is taking this action to prevent SE phage-type 4 from infecting U.S. poultry. In humans, salmonella bacteria can cause stomach cramps, diarrhea, fever and sometimes nausea and vomiting from five to 72 hours after eating contaminated food. High-risk populations who are particularly vulnerable to Salmonella enteritidis are: the elderly, infants and those with weakened immune systems. The public should cook eggs thoroughly and avoid eating raw eggs.

This interim rule is in today's Federal Register.

Comments will be accepted if they are postmarked or received on or before June 12. An original and two copies of written comments referring to Docket No. 89-013 should be sent to: Helene R. Wright, Chief, Regulatory Analysis and Development, PPD, APHIS, USDA, Room 866, Federal Building, 6505 Belcrest Road, Hyattsville, Md. 20782.

Comments may be inspected at USDA, Room 1141-S, 14th and Independence Avenue, S.W., Washington, D.C., between 8 a.m. and 4:30 p.m., Monday through Friday, except holidays.

Marlene Stinson (301) 436-7255

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USDA ANNOUNCES PREVAILING WORLD MARKET PRICE FOR UPLAND COTTON

WASHINGTON, Apr. 13—Associate Administrator, Agricultural Stabilization and Conservation Service, Vern Neppl today announced the prevailing world market price, adjusted to U.S. quality and location (adjusted world price), for Strict Low Middling (SLM) 1-1/16 inch (micronaire 3.5-4.9) upland cotton (base quality) and the coarse count

adjustment in effect from 12:01 a.m. Friday, Apr. 14, through midnight Thursday, Apr. 20.

Since the adjusted world price (AWP) is above the 1987 crop and 1988 crop base quality loan rates of 52.25 and 51.80 cents per pound, respectively, the loan repayment rate for 1987 crop and 1988 crop upland cotton during this period is equal to the respective loan rates for the specific quality and location.

Because the loan repayment rate for 1988 crop upland cotton in effect during this period is above the established loan rate, loan deficiency payments are not available for 1988 crop upland cotton sold during this period.

The AWP will continue to be used to determine the value of upland cotton that is obtained in exchange for commodity certificates.

Based on data for the week ending Apr. 13, the AWP for upland cotton and the coarse count adjustment are determined as follows:

Adjusted World Price		
Northern Europe Price		72.98
Adjustments:		
Average U.S. spot market location	12.03	
SLM 1-1/16 inch cotton	2.00	
Average U.S. location	0.42	
Sum of Adjustments		-14.45
ADJUSTED WORLD PRICE		58.53 cents/lb.
Coarse Count Adjustment		
Northern Europe Price		72.98
Northern Europe Coarse Count Price		-66.42
		6.56
Adjustment to SLM 1-inch cotton		-4.15
COARSE COUNT ADJUSTMENT		2.41 cents/lb.

The next AWP and coarse count adjustment announcement will be made on Apr. 20.

Charles Cunningham (202) 447-7954

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AG COOPERATIVES' 1987 INCOME $1.4 BILLION—HIGHEST SINCE 1980

WASHINGTON, April 17—Net income of farmer cooperatives in 1987 was more than double the previous year and the highest since 1980, reports the U.S. Department of Agriculture's Agricultural Cooperative Service.

The 1987 net income of $1.4 billion, up from $688 million in 1986, represented a major turnaround from several years of decline associated with the agricultural recession of the 1980s. The net income was generated on sales of $59.3 billion, which increased only slightly from 1986 sales.

Randall E. Torgerson, ACS administrator, attributed the dramatic upturn to the success cooperatives have achieved in cost reduction and increased operating efficiencies.

The 1987 data are based on financial information gathered from 5,109 marketing, farm supply, and selected service cooperatives, the first comprehensive financial profile of farmer cooperatives since 1976.

Net income before losses equaled $1.53 billion. Six hundred and twenty-eight cooperatives suffered combined losses of $87 million compared with $344 million in 1986. More than three-fourths of the cooperatives with 1987 losses were in the farm supply, grain, and cotton groups. The largest losses occurred in these groups and those marketing fruits and vegetables, dairy products, and rice.

All commodity groups, except those marketing rice and sugar and those providing selected services, showed increases in net income (see table). The largest recovery occurred in the farm supply group. Those cooperatives earned net income of $351 million after experiencing net losses of $66 million in 1986. Other groups generally showing strong turnarounds included cooperatives marketing fruits and vegetables; cotton; livestock, wool, and poultry; and grain and soybeans.

Net worth, total liabilities, and total assets all grew in 1987. Total assets increased 4.3 percent to $27.6 billion. Total liabilities increased 1.5 percent to $14.8 billion while net worth increased 7.8 percent to a record $12.8 billion. The increase in net worth relative to total liabilities represents further strengthening of cooperatives' equity position. For the seventh straight year, the proportion of total assets financed by net worth rose. In 1987, this proportion was 46.4 percent compared with 44.9 percent in 1986 and 36 percent in 1980.

Financial results for all cooperatives mirror those for the 100 largest farmer cooperatives. Net income of those cooperatives, representing 58 percent of total cooperative sales, increased 261 percent from $199 million to $717 million, the highest level since 1980. Total assets of the 100 largest cooperatives increased 2.4 percent to $15.9 billion after declining for 5 consecutive years.

Farmer Cooperatives' Net Income, 1986 and 1987

Commodity or Function[1]	Number of Coopera- tives	1986 income	1987 income	Percent Increase (Decrease)
Marketing		*(millions of dollars)*		
Cotton	370	125.4	236.6	88.7
Dairy	298	200.9	201.5	0.3
Fruits and vegetables	312	73.9	158.0	113.8
Grains and soybeans	1,446	213.3	369.9	73.4
Livestock, wool, poultry	445	72.3	118.6	64.0
Rice	50	8.2	4.7	(43.4)
Sugar	38	17.6	5.6	(68.0)
Other	95	13.4	13.9	3.5
Total marketing	3,054	725.0	1,108.7	52.9
Farm Supply	1,941	(66.4)	351.3	([2])
Service	114	29.3	26.1	(10.9)
TOTAL	5,109	688.0	1,486.2	116.0

[1]Cooperatives classified by predominant commodity or function according to 1987 business volume.
[2]Not computed because of negative value in 1986.

Gene Ingalsbe (202) 653-6973

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USDA INCREASES DAIRY PRODUCT GRADING AND INSPECTION FEES

WASHINGTON, April 17—Effective April 17, the U.S. Department of Agriculture will increase certain fees for its voluntary grading and inspection services funded by the dairy industry.

Fees were last increased in June 1988, which was the first increase in 10 years. The increase is prompted by higher operating costs and a decline in revenue caused by a major reduction in grading activities for government purchases of surplus dairy products. Under law, the dairy grading program, like other agricultural commodity grading programs, is user-fee funded and must balance its fee-income against its costs, said J. Patrick Boyle, administrator of USDA's Agricultural Marketing Service.

The fee increases are as follows:

—from $33.00 per hour to $36.00 per hour for intermittent grading and inspecting, with travel and per diem costs continuing to be charged in addition to the hourly charge;

—from $24.00 per hour to $28.00 per hour for non-routine laboratory work, i.e., work not on a published schedule of fees, with a similar increase for laboratory tests for which published fees are charged at a per test rate rather than an hourly rate;

—from $24.00 per hour to $32.00 per hour for "continuous resident" grading and inspection, i.e., for a grader-inspector assigned to a plant permanently;

USDA also has eliminated a special fee for "continuous non-resident" grading and inspection service, i.e., for the service of a grader-inspector assigned to a plant for a fixed period, usually on contracts such as those for USDA's Agricultural Stabilization and Conservation Service. Considerations like travel costs to be factored into such a fee are so variable that no set fee can be established for this service. Instead, the USDA proposes to use the non-resident rate plus travel costs in charging for this service, Boyle said.

The fees will ensure that the dairy grading and inspection program is financially self-supporting as the law requires, Boyle said.

The fee changes will be published as a final rule in the April 17 Federal Register. Copies may be obtained from the Dairy Grading Section, Dairy Grading and Standardization Branch, Dairy Division, AMS, USDA, P.O. Box 96456, Washington, D.C. 20096-6456.

Clarence Steinberg (202) 447-6179

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PRESIDENT ANNOUNCES NEW WORKING GROUP, ADVANCE DEFICIENCY PAYMENTS

WASHINGTON, April 18—In the first telephone news conference in history between a President and U.S. farm broadcasters, President George Bush today—live from the U.S. Department of Agriculture's radio studio—announced extra federal assistance "to help America's farmers after last summer's drought," and creation of a top-level working group aimed at better use of federal resources in the rural economy.

During the broadcast, Bush and Secretary of Agriculture Clayton Yeutter covered a wide range of topics affecting American agriculture, including the recent GATT negotiations, the budget compromise, and the 1990 Farm Bill.

Additional advance deficiency payments of 10 percent will be available to eligible producers of wheat, feed grains, rice and upland cotton. This brings available advance payments up to 50 percent for wheat and feed grains, and up to 40 percent for rice and upland cotton.

Bush said the additional payments, estimated to total $850 million, will be issued after May 15 in commodity certificates. Under the 1989 farm program signup, which ended April 14, wheat and feed grain producers were allowed to request 40 percent of their projected deficiency payments; upland cotton and rice producers were allowed to request 30 percent. For these requests, an estimated $3.13 billion in advance payments will be paid in cash. Only those producers who requested advance payments under the 1989 signup are eligible for the additional advance announced today.

The new Working Group on Rural Development will be chaired by Secretary Yeutter and will report to the White House Economic Policy Council, Bush said. It will include the Departments of Agriculture, Treasury, Commerce, Labor, Health and Human Services, Housing and Urban Development, Transportation, and Education, the Office of the Vice President, the Office of Management and Budget, the Council of Economic Advisors, the Small Business Administration, and the White House Office of Policy Development.

In annnouncing its formation, Bush said, "Events such as last year's drought reinforce the need to develop and diversify the rural economy in the years ahead. The working group will ensure that the needs of rural America are met by better use and more efficient coordination of federal resources."

The working group, the president said, will evaluate existing federal rural development programs and resource distribution; develop policy options for improving coordination and implementation of these federal programs; explore options for increasing state, local and private sector involvement in rural development; and determine ways for the federal government to play an enhanced catalytic role in this area; as well as facilitate and generate increased economic activity.

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BACKGROUNDER ADVANCE DEFICIENCY PAYMENTS ON 1989 CROPS

Definitions

Deficiency Payment. A direct payment made to producers participating in annual commodity programs. The payment rate is the difference between the established ''target'' price and the higher of the market price or the loan rate (price support level).

Advance Deficiency Payment. A deficiency payment made in advance of the normal payment date. Deficiency payments are determined by actual market prices and are therefore made during and after the completion of the crop marketing year. An advance payment, however, is made prior to the marketing year, normally during program signup. It is based on anticipated market prices.

Legislative Authority

Current law requires that producers participating in the 1989 farm programs be eligible to receive a portion of their projected deficiency payments in advance. Wheat and feed grain producers must receive at least 40 percent, and cotton and rice producers at least 30 percent in advance. The maximum permitted advance is limited to 50 percent for all crops.

1989 Advance Payments to Date

During signup for 1989-crop programs, which ended April 14, participating producers were authorized to receive the minimum statutory amount—40 percent for wheat and feed grain producers, and 30 percent for cotton and rice producers. These payments totaled an estimated $3.13 billion and were made in cash.

Additional 10-Percent Advance

On April 18, USDA announced that producers participating in crop programs may elect to receive an additional 10 percent of their projected deficiency payments in advance. This would bring total advance deficiency payments to 50 percent for wheat and feed grains, and 40 percent for cotton and rice. The additional 10-percent advance is expected to total $850 million and will be made in commodity certificates.

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USDA ANNOUNCES PREVAILING WORLD MARKET RICE PRICES

WASHINGTON, April 18—Acting Under Secretary of Agriculture William C. Bailey today announced the prevailing world market prices of milled rice, loan rate basis, as follows:

—long grain whole kernels, 10.64 cents per pound;
—medium grain whole kernels, 9.93 cents per pound;
—short grain whole kernels, 9.86 cents per pound;
—broken kernels, 5.32 cents per pound.

Minimum loan repayment rates for 1987 crop loans are the higher of the world price or 50 percent of the loan rate. For 1988 crop rice, the minimum repayment rates are the higher of the world price or 60 percent of the loan rate.

Based upon these prevailing world market prices for milled rice, rough rice world prices are estimated to be:

—long grain, $6.58 per hundredweight;
—medium grain, $6.22 per hundredweight;
—short grain, $5.93 per hundredweight.

The prices announced are effective today at 3:00 P.M. EDT. The next scheduled price announcement will be made April 25 at 3:00 P.M. EDT, although prices may be announced sooner if warranted.

Gene Rosera (202) 447-5954

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CSRS JOINS USDA's COMPUTERIZED INFORMATION SERVICE

WASHINGTON, April 19—The U.S. Department of Agriculture's Cooperative State Research Service is now providing computerized information on agricultural research and technology, and industrial uses for agricultural crops to news and informaton services.

Recent reports have dealt with animal reproductive biology, plant biotechnology, getting natural red food dye from sunflowers and expanding the use of dairy products.

Other information such as tips on small-scale farming gives specific details to help people develop a mushroom, goat, or sheep farm and market the product, said John Patrick Jordan, CSRS administrator.

"This information is especially useful to the public at a time when America is facing deficits," said Jordan. "We want to get this research out of the laboratory and into the hands of Americans who can use it creatively."

The CSRS information is part of USDA's Electronic Dissemination of Information (EDI) service, an online high-speed computerized information delivery system.

CSRS and its partners in the state agricultural experiment station system contain two-thirds of the scientists involved in publicly supported agricultural research.

Information on aquaculture, industrial materials, low-input/agriculture and other agricultural topics also will be available from 59 state and territorial agricultural experiment stations; the 17 colleges of 1890, including Tuskegee University; 28 schools of forestry; and 29 colleges of veterinary medicine.

The weekly CSRS newsletter and a quarterly small-scale agriculture newsletter will be available through EDI, as well as speeches, directories of CSRS specialists, and conference and meeting dates and places.

The EDI service carries about 500 categories of reports monthly, including statistical and analytical information on crops and livestock; data on trade and new products; daily market news information, including press releases, speeches, testimony, and press conference transcripts; shipping and other transportation data; and research into human and animal nutrition.

CSRS is one of 12 agencies loading current information into the EDI Service. Designed primarily for news and information services, EDI provides the information to its own subscribers.

Much of the information is also available on ''USDA Online,'' a smaller computerized information service.

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USDA ANNOUNCES SUPPORT LEVEL BY TYPE, FOR 1989-CROP PEANUTS

WASHINGTON, April 19—The U.S. Department of Agriculture today announced support levels—by type, quality and location—for the 1989 peanut crop. Support is based on the previously announced national levels of $615.87 per short ton for quota peanuts and $149.75 per short ton for additional peanuts.

The quota support level by type, for an average grade ton of 1989-crop peanuts will be:

— $610.89 for Virginia;

— $621.06 for Runner;

— $575.60 for Spanish;

— $610.89 for the Valencia-type from the Southwest area which are suitable for cleaning and roasting; and

— $575.60 for other Valencias-type peanuts.

The method of computing the price support levels for 1989-crop peanuts, and the grades within the types is the same as for the 1988-crop, except for Spanish-type peanuts.

The quantity of Spanish peanuts placed under loan in recent years and subsequently crushed into oil and meal has demonstrated that the price support value of Spanish peanuts has been overstated relative to other types of peanuts. Therefore, the 1989-crop differentials were developed by setting the sound mature kernel (SMK) value for Spanish-type peanuts at the same SMK value as for Runner-type peanuts. Previously, the SMK value for Spanish-type peanuts was 0.5 percent more than the SMK value for Runner-type peanuts.

A five-year statistical base, 1984-88, was used to project the expected quality of the 1989-crop.

The actual support level for an individual lot of peanuts will depend on the percent of the various sizes of kernels in each ton and other factors.

For each percent of SMK's including sound split kernels, the support level for the types of peanuts per ton is:

—Virginia-type, $8.949;

—Runner-type, $8.774;

—Spanish-type, $8.774;

—Valencia-type in the Southwest area suitable for cleaning and roasting, $9.129; and

—other Valencias, $8.774

The loan value for additional peanuts is 24.32 percent of the applicable quota rate. The factor represents the ratio of the $149.75 per short ton national support level for additional peanuts to the $615.87 per short ton national support level for quota peanuts.

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